



DEFENSE FINANCE AND ACCOUNTING SERVICE
ARLINGTON
1851 SOUTH BELL STREET
ARLINGTON, VA 22240-5291

NOV 23 2004


DFAS-DOP

MEMORANDUM FOR DIRECTOR, CONTINUING GOVERNMENT ACTIVITY, DEFENSE
FINANCE AND ACCOUNTING SERVICE (DFAS-PDO/CL)

SUBJECT: Interim Change to the Department of Defense Financial Management Regulation
(DoDFMR), Volume 7B, Regarding Death Gratuity Payment Increase (DFAS
Item N-17)

The attached is Interim Change **R12-04** to DoDFMR, Volume 7B. Public Law 108-121, Section 102, November 11, 2003, increased the amount of death gratuity from \$6,000 to \$12,000. This amount is excludable from gross income for tax purposes. This change is effective September 11, 2001.

We have evaluated your comments on the proposed change and included your comments where appropriate. Assignment of the interim change number is your authority to initiate a procedural modification to implement this change. Use the attached to initiate the formal change to the DoDFMR, Volume 7B.


Lydia Moschkin
Director, Policy

Attachments:

As stated

cc:

DFAS-GA/CL

ODGC (F)

ODUSD (MPP)(Comp)

OUSD (C)(ODCFO)(FP)

Services Liaisons

USCG/NOAA/PHS Liaisons

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1. Revise paragraph 300203 to read:

300203. Amount Payable.

A. Deaths Between August 2, 1990 and September 10, 2001. For deaths that occurred between August 2, 1990, and September 10, 2001, the amount payable was \$6,000. For taxability of these death gratuity payments, see subparagraph 300302(A) below.

B. Deaths On or After September 11, 2001. For deaths on or after September 11, 2001, the amount of death gratuity is \$12,000. See subparagraph 300302(B) below regarding the taxability of death gratuity payments authorized under this subparagraph.

C. Debts Collection. Do not collect debts from death gratuity payments.

2. Revise paragraph 300302 to read:

300302. Taxability of Death Gratuity.

A. Death Occurred Between August 20, 1990, and September 10, 2001. The amount of death gratuity payments made to survivors of military members who died after August 20, 1996, that is excludable from income, may not exceed \$3,000, regardless of the number of beneficiaries. If there are multiple beneficiaries, the \$3,000 exclusion should be applied proportionately. Report all death gratuity payments separately, using TD Form 1099R. Enter the total amount of the distribution in Box 1. Enter the appropriate taxable amount in Box 2a. For members who died on or before August 20, 1996, the maximum exclusion amount is \$5,000. (IC R05-02).

B. Death Occurred on or After September 11, 2001. The total amount of death gratuity of \$12,000 is excludable from gross income for tax purposes.

3. Add the following to the Bibliography:

<u>Paragraph</u>	<u>Citation</u>
300203.B	Public Law 108-121, section 102(a), November 11, 2003
300302.A	Public Law 104-188, Section 1402, August 20, 1996. 26 U.S.C. 134 Internal Revenue Service Publication 3 Armed Forces' Tax Guide
300302.B	Public Law 108-121, section 102(b), November 11, 2003.